



香港會計師公會

**HONG KONG SOCIETY OF ACCOUNTANTS**

(Incorporated by the Professional Accountants Ordinance, Cap. 50)

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Our. Ref.: C/FASC

18 February 2003

Tom Seidenstein  
Director of Operations and Secretary  
IASC Foundation  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Mr. Seidenstein,

**Proposal for a testing and  
certification programme**

The Hong Kong Society of Accountants (HKSA) welcomes the opportunity to provide you with our comments on the consultation paper on the proposed testing and certification programme (“consultation paper”).

**General**

In general, we support the IASC Foundation’s initiative to create a two-tier proficiency test as a means to promote consistent interpretation and rigorous application of International Financial Reporting Standards (IFRS). Given the prevalence of adopting IFRS for financial reporting purposes worldwide, it is important for those preparing and reporting on IFRS compliant financial statements to have gained sufficient knowledge and understanding of IFRS and be able to demonstrate that they have the ability to interpret and apply IFRS appropriately. Once the test has been implemented, we also believe that it is important to have in place a continuing education programme to maintain continued proficiency. Accountants should be encouraged to take the proficiency test on an updated basis in order to maintain their competence.

**Designation**

We understand the current proposal is that passing of the test would not amount to a licence (or endorsement) to practise but would simply indicate the level of proficiency achieved by the holder. However, we consider that the words “certificate” or “diploma” do not indicate clearly the attainment standards of those who have passed the test and, in particular, these words may not carry the same meaning in different jurisdictions. Also, the consultation paper does not make reference to how one could designate oneself when one has passed the two-tier test. We believe that, in order to attract more users of IFRS to take the test, the IASC Foundation may consider a specific designation for those who have passed the two-tier test. The designation would include an indication of the date of passing the test or obtaining the designation.



### Encouraging people to obtain the designation

In addition, while we understand that the IASC Foundation may not have the power to impose a requirement on anyone to take the test, we believe that the IASC Foundation could develop a strategy with the national standard setters and regulatory bodies so as to encourage more users of IFRS to take the test. This might involve incorporating or integrating the IASC Foundation's programme into the national training programme within each jurisdiction. In developing a strategy, the IASC Foundation together with national standard setters or regulatory bodies may consider the different needs or circumstances in each jurisdiction, in particular, the extent to which the national accounting standards are converged with IFRS. In Hong Kong, we have a policy to converge our Statements of Standard Accounting Practice with IFRS and a target to achieve full convergence by the end of 2003. Accordingly, we believe that it would be to our mutual benefit that the proposed test could be introduced into our qualification training programme so that our student members would only have to take one test.

### Timely introduction and modular approach

We believe that the second tier diploma test is a more significant and important part of the two-tier proficiency test. Given that a large number of first time users in Europe as well as other countries will have to attain a high standard of knowledge about the application of IFRS in order to be able to prepare and report on IFRS compliant financial statements as from 2005, it would be desirable if these users can complete the test of their ability to apply IFRS and to recognise issues of interpretation (i.e. the second tier diploma test) before 2005. Accordingly, time is an important factor to be considered when determining whether a two-tier test would be a preferable approach. If time does not allow for the first sitting of the second tier diploma test to be introduced and completed before 2005, the IASC Foundation may consider combining the two-tier test into a single examination so as to shorten the time required for completing the programme. We also suggest that the IASC Foundation could consider, if time permits, introducing the test on a module-by-module basis so as to give some flexibility to the programme. For example, the first module can be developed on the easier standards and be followed by modules on more difficult or complex IFRS. In any case, we urge the IASC Foundation to implement the test as early as possible.

### Other comments relating to the test

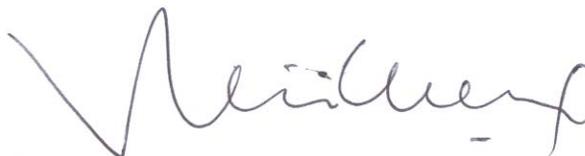
The consultation paper does not make reference as to whether there would be any definition of pre-entry and post-test competencies. We believe that, in order to design an effective test or training programme, there is a need to define some sort of knowledge as entry requirements and some of learning outcomes as exit requirements. In addition, in line with the trend for training, we suggest that the IASC Foundation could consider developing learning modules in e-Learning mode in order to provide some flexibility for learners in different geographical areas and different time zones, particularly with a modular approach.

## Enforcement of IFRS

In our comment letter to the International Accounting Standards Board (IASB) on the Exposure Draft Preface to International Financial Reporting Standards, we have raised our concerns about the monitoring and enforcement of IFRS. Although we consider that successful introduction of the test would assist in promoting consistent interpretation and satisfactory implementation of IFRS, we believe that this would not be sufficient to ensure that financial statements that contain a statement of compliance with IFRS are indeed IFRS compliant. Accordingly, we continue to believe that there is a need to form an international network of enforcement agencies to provide a mechanism for the review and public comment on the application of IFRS. However, in the interim, the IASC Foundation may consider publishing, as part of its quality assurance review of the test questions and educational material, those materials that might be regarded as interpreting standards in ways that had not been approved by the IASB.

If you have any questions on our comments, please contact our Deputy Director - Accounting, Mr. Simon Riley, in the first instance.

Yours faithfully,



WINNIE C.W. CHEUNG  
SENIOR DIRECTOR  
PROFESSIONAL & TECHNICAL DEVELOPMENT  
HONG KONG SOCIETY OF ACCOUNTANTS

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